

107TH CONGRESS  
1ST SESSION

# S. 1335

To support business incubation in academic settings.

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## IN THE SENATE OF THE UNITED STATES

AUGUST 2, 2001

Mr. KENNEDY (for himself, Mr. DEWINE, Mr. DASCHLE, Ms. SNOWE, Mr. DURBIN, Mr. CORZINE, Ms. STABENOW, Mr. BAUCUS, Mr. BINGAMAN, Mr. LIEBERMAN, Ms. LANDRIEU, Mr. JOHNSON, and Mr. CONRAD) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To support business incubation in academic settings.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

### 3 **SECTION 1. SHORT TITLE; FINDINGS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Linking Educators and Developing Entrepreneurs for  
6 Reaching Success Act of 2001”.

7 (b) FINDINGS.—Congress makes the following find-  
8 ings:

9 (1) Business incubators housed in academic set-  
10 tings provide unique educational opportunities for

1 students, provide entrepreneurs with enhanced ac-  
2 cess to a skilled workforce, and bring a wealth of re-  
3 sources to business, academia, and communities.

4 (2) Academic affiliated incubators bridge the  
5 missions of academic institutions by bringing to-  
6 gether education, economic development, and tech-  
7 nology commercialization efforts.

8 (3) Studies have shown that incubator tenant  
9 companies have an average success rate of 87 per-  
10 cent, and 90 percent for technology-based incubator  
11 tenant companies. These success rates are dramati-  
12 cally higher than the success rates for companies in  
13 the general economy.

14 (4) Incubator companies are also more likely to  
15 remain in the same communities as they grow and  
16 to provide high paying jobs and benefits to their em-  
17 ployees.

18 (5) Business incubators help academic institu-  
19 tions contribute to local goals of sustaining economic  
20 development in their surrounding communities.

21 (6) Education in entrepreneurship and other  
22 business formation skills is essential to business suc-  
23 cess and sustainable economic development.

1 **SEC. 2. PURPOSE.**

2       The purpose of this Act is to encourage entrepreneur-  
3 ship by increasing the role for academia in entrepreneur-  
4 ship by providing space and expertise in an academic set-  
5 ting to house and support new and emerging small busi-  
6 nesses.

7 **SEC. 3. DEFINITIONS.**

8       In this Act:

9           (1) **DEGREE-GRANTING INSTITUTION.**—The  
10 term “degree-granting institution” means an institu-  
11 tion of higher education, as defined in section 101  
12 of the Higher Education Act of 1965 (20 U.S.C.  
13 1001), that awards an associate or baccalaureate de-  
14 gree.

15           (2) **INCUBATOR.**—The term “incubator” means  
16 an entity affiliated with or housed in a degree-grant-  
17 ing institution that provides space and coordinated  
18 and specialized services to entrepreneurial businesses  
19 which meet selected criteria during the businesses’  
20 startup phase, including providing services such as  
21 shared office space and services, access to equip-  
22 ment, access to telecommunications and technology  
23 services, flexible leases, specialized management as-  
24 sistance, access to financing, and other coordinated  
25 business or technical support services.

1           (3) SECRETARY.—The term “Secretary” means  
2       the Secretary of Education.

3   **SEC. 4. PROGRAM AUTHORIZED.**

4       (a) IN GENERAL.—The Secretary is authorized to  
5       support the establishment and development of incubators.

6       (b) ALLOCATION OF FUNDS.—From the amount ap-  
7       propriated under section 9, the Secretary—

8           (1) shall reserve 80 percent of the amount to—

9               (A) make awards, on a competitive basis,  
10           in amounts of \$500,000 to \$750,000, to help  
11           acquire or renovate space for incubators; and

12               (B) make awards, on a competitive basis,  
13           in amounts of \$50,000 to \$150,000, for devel-  
14           oping curricula, providing services, or providing  
15           programming for entrepreneurs housed in an  
16           incubator;

17           (2) shall reserve 10 percent of the amount to  
18           make awards, on a competitive basis, in amounts of  
19           \$50,000 to \$150,000, for feasibility studies for de-  
20           termining the need for or siting of incubators; and

21           (3) shall reserve 10 percent for research regard-  
22           ing best practices for incubator programs, including  
23           the development of a benchmarking system based on  
24           uniform measures, and for dissemination of informa-  
25           tion regarding such practices.

1 (c) CONTRACTS.—The Secretary is authorized to con-  
2 tract with organizations with expertise in business incuba-  
3 tion practices for the purposes of carrying out subsection  
4 (b)(3).

5 (d) RECIPIENTS.—The Secretary shall make an  
6 award—

7 (1) described in subsection (b)(1) to a nonprofit  
8 entity that has a strong affiliation with a degree-  
9 granting institution and manages or provides tech-  
10 nical assistance to the degree-granting institution's  
11 affiliated incubator, or if no nonprofit entity man-  
12 ages or provides technical assistance to the incu-  
13 bator, to the degree-granting institution managing  
14 the incubator; and

15 (2) described in subsection (b)(2) to a degree-  
16 granting institution, or a nonprofit municipality,  
17 city, township, or community development organiza-  
18 tion.

19 **SEC. 5. USES OF FUNDS.**

20 Funds awarded under section 4(b)(1)(B) may be  
21 used for—

22 (1) curriculum, training, or technical assistance  
23 developed by academic faculty with participation  
24 from entrepreneurship experts and local government  
25 leaders;

1           (2) programming that contributes to a coordi-  
2           nated set of business assistance tools, such as devel-  
3           oping management teams, providing workforce devel-  
4           opment, forming strategic alliances, developing cap-  
5           ital formation networks, and developing customized  
6           plans to help entrepreneurs meet the challenges of  
7           doing business in their specific communities; and

8           (3) hiring staff to coordinate the activities de-  
9           scribed in paragraph (1) or (2) or for curriculum de-  
10          velopment.

11 **SEC. 6. APPLICATIONS.**

12          (a) IN GENERAL.—Each entity desiring assistance  
13 under this Act shall submit an application to the Secretary  
14 at such time, in such manner, and accompanied by such  
15 information as the Secretary may require.

16          (b) CONTENTS.—Each application shall contain an  
17 assurance that the activities to be assisted—

18               (1) have the support of the municipality, city,  
19               or township in which the incubator is housed or pro-  
20               posed to be housed; and

21               (2) are consistent with the local economic devel-  
22               opment or strategic master plan.

23          (c) PRIORITY.—The Secretary shall give priority to  
24 funding applications under this Act that provide strong  
25 educational opportunities to students in entrepreneurship,

1 and that require significant collaboration between busi-  
 2 nesses, academia, and local government and economic de-  
 3 velopment leaders.

4 (d) CONSIDERATION.—

5 (1) IN GENERAL.—The Secretary may give con-  
 6 sideration to funding applications under this Act  
 7 that support—

8 (A) the building of new incubators;

9 (B) incubators located in economically dis-  
 10 tressed areas;

11 (C) incubators with successful graduation  
 12 rates for tenant companies;

13 (D) incubators that have shown demon-  
 14 strable economic benefits in their surrounding  
 15 communities; or

16 (E) incubators that work with faculty en-  
 17 trepreneurs or university-based research.

18 (2) DEFINITION OF CONSIDERATION.—In this  
 19 subsection the term “consideration” means thought  
 20 and does not mean priority.

21 **SEC. 7. MATCHING FUNDS.**

22 Each entity receiving Federal assistance under sec-  
 23 tion 4(b)(1) shall contribute matching funds, in an  
 24 amount equal to the amount of Federal assistance received

1 under this Act, toward the costs of the activities assisted  
2 under this Act.

3 **SEC. 8. REPORT.**

4 The Secretary, at the end of the third year for which  
5 assistance is provided under this Act, shall prepare and  
6 submit to Congress a report that—

7 (1) describes the most effective or innovative  
8 additions to curricula developed under this Act;

9 (2) contains a comparison of small business  
10 survival rates for small businesses that started up in  
11 incubators versus small businesses that did not so  
12 start;

13 (3) describes factors leading to success of incu-  
14 bator businesses (if any);

15 (4) describes the best role for degree-granting  
16 institutions in business incubation; and

17 (5) contains a comparison of academic-affiliated  
18 incubators of specific missions and ages supported  
19 under this Act with incubators with similar missions  
20 and ages that are not supported under this Act.

21 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

22 There are authorized to be appropriated to carry out  
23 this Act \$20,000,000 for each of the fiscal years 2002,  
24 2003, and 2004.

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